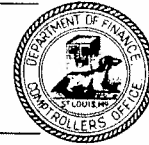


FILE COPY



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

Internal Audit Section

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DR. KENNETH M. STONE, CPA
Internal Audit Executive

August 22, 2011

Sean Thomas, Executive Director
Old North St. Louis Restoration Corporation
2700 N. 14th
St. Louis, MO 63106

RE: Community Development Block Grant (CDBG) (Project #2011-CDA30)

Dear Mr. Thomas:

Enclosed is a report of the fiscal monitoring review of the Old North St. Louis Restoration Corporation, a not-for-profit organization, CDBG Program, for the period January 1, 2010, through December 31, 2010. The scope of a fiscal monitoring review is less than an audit, and as such, we do not express an opinion on the financial operations of Old North St. Louis Corporation. Fieldwork was completed on June 17, 2011.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and through an agreement with the City of St. Louis, Community Development Administration (CDA) to provide fiscal monitoring to all grant sub-recipients.

If you have any questions, please contact the Internal Audit Section at (314) 622-4723.

Respectfully,

Kenneth M. Stone

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Jill Claybour, Acting Executive Director, CDA
Lorna Alexander, Special Assistant for Development, CDA



CITY OF ST. LOUIS

**COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)**

**OLD NORTH ST. LOUIS RESTORATION CORPORATION
CONTRACT #10-31-52
CFDA #14.218**

FISCAL MONITORING REVIEW

JANUARY 1, 2010 THROUGH DECEMBER 31, 2010

PROJECT #2011-CDA30

DATE ISSUED: AUGUST 22, 2011

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
OLD NORTH ST. LOUIS RESTORATION CORPORATION
FISCAL MONITORING REVIEW
JANUARY 1, 2010 THROUGH DECEMBER 31, 2010**

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INTRODUCTION

Background

Contract Name: Old North St. Louis Restoration Corporation.

Contract Number: 10-31-52

Contract Period: January 1, 2010 through December 31, 2010

CFDA Number: 14.218

Contract Amount: \$60,000

The contract provided Community Development Block Grant (CDBG) fund to Old North St. Louis Restoration Corporation (Agency) to construct housing units, complete rehabilitation to 38 affordable housing units, provide marketing/technical assistance and implement beautification efforts in the Old North St. Louis Community.

Purpose

The purpose of the review was to determine the Agency's compliance with federal, state and local Community Development Administration (CDA) requirements for the period January 1, 2010, through December 31, 2010, and make recommendations for improvements as considered necessary.

Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grant administered by the CDA. Evidence was tested supporting the reports the Agency submitted to CDA and other procedures were performed as considered necessary. Fieldwork was completed on June 17, 2011.

Exit Conference

The Agency was offered the opportunity for an exit conference on August 4, 2011, but the Agency declined.

Management's Responses

The management's responses to the observations and recommendations identified in the draft report were received from the Agency on August 10, 2011. These responses have been incorporated into this report.

SUMMARY OF OBSERVATIONS

Conclusion

The Agency did not fully comply with federal, state and local CDA requirements.

Status of Prior Observations

The Agency's previous fiscal monitoring report, Project #2010-CDA5 issued February 5, 2010, noted one observation.

- Opportunity to improve time reporting (**Resolved**)

A-133 Status

According to a letter received from the Agency dated November 11, 2010, it did not expend \$500,000 or more in federal funds in its fiscal year ended June 30, 2010, and was not required to have an A-133 audit.

Summary of Current Observations

A recommendation was made for the following observation, which if implemented could assist the Agency in fully complying with federal, state, and local CDA requirements.

- Opportunity to maintain adequate accounting records

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

Opportunity To Maintain Adequate Accounting Records

The Agency did not maintain any records for sick and vacation time accrued, and used for the CDBG funded employees. Any time off with pay must be in accordance with the Agency's personnel policies and must be supported by cumulative records of vacation and sick time earned and taken on the employees' approved time reports at the end of each pay period.

Section 5.2 of the CDA Operating Agency Procedures Manual states that any time off with pay must be supported by cumulative records displaying time off earned less time off used.

According to the office manager, the Agency only requests vacation and sick time off verbally. There are no written records for leave.

Failure to maintain proper records makes it difficult for the Agency to track sick and vacation leave and makes the Agency vulnerable to the possible abuse of leave taken by its employees.

Recommendation

It is recommended that the Agency maintain proper cumulative records of sick and vacation time earned and used in order to comply with Section 5.2 of the CDA Operating Agency Procedures Manual concerning the maintenance of payroll records.

Management's Response

We respectfully request that you revise your report to reflect our objection to the following observation:

- 1. We do not concur with the observation.*
- 2. Because we do not concur with the accuracy of the observation nor consider ONSLRG to be in violation of any federal, state, or local CDA requirements, we are not proposing any actions or corrections.*
- 3. ONSLRG goes, in fact, keep a log of all employees' use of vacation and sick time, which then is subtracted from the amount of vacation time they are eligible to use, which then produces an amount still available for use. Furthermore, our staff enters the amount of vacation or sick time on written timesheets submitted for each pay period, and then our QuickBooks computer software produces a total amount used with each payroll entry. With our small staff and the simplicity of our personnel policy for eligible vacation or sick time, the Agency is not "vulnerable to the possible*

abuse of leave taken by its employees. Please note that the description accompanying the observation indicates, "Any time off with pay must be in accordance with the Agency's personnel policies." Our practice is in accordance with those policies. The report also states guidelines from Sect. 5.2 of the CDA Operating Agency Procedures Manual, which do not correspond with the latest copy of that Manual provided to us by CDA.

- 4. The report notes that "According to the office manager, the Agency only requests vacation and sick time off verbally. There are no written records for leave." In my conversation with our office manager, she says that she told Ms. Desu that our policies do not require a written request to be submitted prior to approval of time off. She did not, however, state that there are no written records for leave. We could be happy to provide copies if desired.*

Auditor's Comment

During the fieldwork Internal Audit Section requested for the records of the CDBG funded employees' sick and vacation time accrued, and used; however they were not provided.